

**TELECONFERENCE  
ACCOUNTING EXAMINING BOARD  
MINUTES  
MADISON, WISCONSIN  
AUGUST 27, 2001**

**PRESENT:** Frank Probst, Frederick Franklin, Sharon Hamilton and Thomas Kilkenny,

**EXCUSED:** Roman Jungers and Jim Johnson

**STAFF PRESENT:** William Dusso-Legal Counsel, Grace Schwingel, Jan Bobholz and Lydia Bridge

**CALL TO ORDER**

The meeting was called to order at 10:00 a.m. by Frank Probst, Chair. A quorum of four members was present.

**OPINIONS FROM LEGAL COUNSEL**

Legal Counsel, William Dusso, summarized the background regarding the effect of 2001 Enrolled SB 55 on Examination and Experience Requirements.

There were some questions regarding whether an applicant who graduated before December 31, 2000 is able to take the exam if the individual did not have the 150 semester-hours of education. The existing Board rule specifies the qualifications for the 150 semester hours. Dusso provided some history regarding the 150-hour issue. In 1999, the Board had considered the question about revising the 150-hour rule. The Act passed, requiring the 150 hours. In December 1997, the Board adopted a rule interpreting what was meant by the 150-hour rule. In February 1999, the Board amended the rule to add a provision that an individual graduating before January 1, 2001, with a resident major in accounting, could take the exam, whether or not the 150-hour criterion had been met.

Dusso reviewed the change in the law regarding the one-year requirement of public accounting experience. This is a substantive change and it becomes effective the day after the bill is signed by the Governor. There is no transition provision in the law. Dusso stated that the Board is obligated to treat all applicants the same by requiring the one year of public accounting experience regardless of an applicant's date of graduation or whether the applicant has 150 semester-hours of education.

Board members asked specific questions regarding how the rule would be interpreted. Sharon Hamilton asked, if this law passes in September 2001, would the Board then be using the one-year rule when reviewing application files in October? Dusso, responded that in his opinion, that is correct. Sharon asked if a file that was reviewed for the Board's August meeting, that didn't meet the three-year experience requirement and is

reviewed again after the applicant reapplies again in October, will the applicant then come under a different rule? Dusso answered, yes; the rules have changed and the people whom the Board questioned previously would now meet the requirements.

There were questions as to whether people who didn't meet the requirements in the past for a variety of reasons might now be eligible under the new rules. Under the new rule, once the bill is signed, one year's experience will be required for licensure regardless of when a person wrote the exam and regardless of how many semester hours a person has earned. Are we going to have applicants reapply who had previously applied and were turned down but who now, under the new rule, would qualify? Does the Board need to search through the records to find out which applicants would now be eligible under the new rules, which previously had not been eligible, or should the Board have these applicants reapply after the effective date of the new law?

The Board discussed delaying the publication of the Regulatory Digest until after the bill is signed. The Board could then include a section in the Regulatory Digest, indicating that the law has changed the experience requirements and that applicants who now meet the revised requirements are eligible to apply for licensure under the new law. Many of the applicants, who have been denied under the old law, have already had their application fee returned to them, so they would need to pay the fee and go through the process from the beginning. Some applicants have not had their fees returned to them yet and the Board could reconsider the pending applications that have not been approved because of the experience requirements. At the August meeting there were 17 intent to deny actions taken because of the lack of senior-level experience. Notices have not been sent to these applicants yet. It was decided to send a letter to these applicants telling them that a new law has just been enacted and that their files will be reviewed again at the October meeting, at which time they would be eligible to have their license granted, based on the new rule.

**MOTION:** Sharon Hamilton moved, seconded by Tom Kilkenny, to send the 17 applicants who would have received an intent to deny, based on the old rule requiring three years of senior level experience, a letter explaining that their applications will be reviewed at the Board's October 12 meeting, where they can be considered under the new rule that only requires 1 year of experience. Motion passed unanimously.

Legal Counsel, Bill Dusso, advised that the Board would need to revise its administrative rules describing what qualifies for one year of public accounting experience. The Board would also need to clarify the criteria for equivalency that would be acceptable in lieu of the one year of public accounting experience referred to in the new law. Dusso further noted that when a Board's rules conflict with new law, the old rules don't apply. However, the portions of the old rules that don't conflict with the new law would still be applicable.

The Board would like to find out from NASBA what language the Uniform Accountancy Act (UAA) contains that clarifies the criteria to qualify for the one year of public accounting experience or its equivalency. The Board would like their rules to be in line with what other states and the UAA are doing. The new law gives the Board some latitude in determining what the equivalency of one year's accounting experience would be. However, Dusso explained that the background of this bill is that the proponents of the bill wanted to make Wisconsin's law conform to some degree with the UAA and with other states. If the UAA has broad provisions and doesn't speak in terms of senior-level experience, it could be argued that if the Board were to try to impose a more narrow interpretation, the Board would be acting contrary to the statute. The background of the statute is to try to make our law similar to other states.

It is important that the Board uses a consistent standard for determining what is acceptable for the one year of public accounting experience, or its equivalent. The Board members asked Dusso to contact NASBA to clarify the Board's concerns regarding the criteria being used to qualify for the one year of public accounting experience or its equivalency and to have this information available for the October meeting. The Board asked Sharon Hamilton, as she reviews applications, to begin collecting examples of the different types of positions that are being considered to qualify for the one-year rule.

### **APPLICATION FOR RENEWAL FOR FIRMS**

Bill Dusso explained the issue of the application for renewal for firms. December 31, 2001, is the expiration date for the firm license. The application form in the Board's agenda packet is a modification of the form that was used at the last renewal period. The Department is trying to incorporate requirements that are in the statutes that will be in the law. If the Board gets the final draft of the form ready by the beginning of October, the Department would be able to make the necessary changes to the form.

The Board doesn't have a definition yet of "50% ownership interest". The lack of a definition should not be an issue for the first renewal period this December after the law changes, since, under current Wisconsin law, the total ownership of a firm must be CPA's. It is highly unlikely that any firms will try to renew that have less than 50% ownership in the firm. However, the term "50% ownership in a firm" needs to be defined.

Questions #1 - #6 are the same as on the old form. Question #7 is new and the certification section at the bottom is a new item. Question #7 responds to the requirement that if the firm includes an owner who is not a CPA, the firm must designate a CPA to be responsible for compliance with the Board's rules in Chapter 442. Someone has to certify for the firm on the form that these three acts are true and then sign it. The one item that still concerns Dusso is that in #2 under the certification section at the bottom of the form, applicants will have to certify that 50% of the ownership interest in the firm is held by CPA's. The Department will then probably get a number of calls as to what exactly is meant by 50% of the ownership interest. Therefore, the Department will need to be able to answer those calls by January 2002.

**Question:**

In item #4, address of each office. Does that refer only to offices in Wisconsin or would that include other states as well?

**Dusso:**

Typically we wanted to obtain the address of all the offices.

**Question:**

Item #5 & #6 regarding Stockholder - yes or no. Is the Department just interested in stockholders in corporations or is it also interested in whether an individual is a partner if the firm is a partnership.

**Dusso:**

Dusso will check items #5 & #6 to see why the question was asked in that way.

**RECEIVE COMMENTS ON THE DRAFT SEPTEMBER 2001 REGULATORY DIGEST**

The Board noted some corrections that needed to be made and offered suggestion regarding the content of the next Regulatory Digest.

The Rule change that required senior-level experience to be acquired after the applicant earned a degree, now becomes a moot point. This issue was deferred to October, pending the results of Dusso's investigation of the new questions the Board has discussed. Dusso said this issue came up when the Board had an applicant who had acquired experience before going to college and the Board had always interpreted the experience requirements so that the college work in accounting was done before the experience would qualify. The intent of the rulemaking was to codify that longstanding interpretation that the accounting education must come before the one year of experience. The Board would like to revisit this issue which deals with clarifying the term "equivalency," at the next Board meeting in October.

**ADJOURNMENT**

**MOTION:** Sharon Hamilton moved, seconded by Thomas Kilkenny, to adjourn the meeting at 10:45 a.m. Motion carried unanimously.

DATE: October 3, 2001

TO: Katharine Hildebrand

FROM: Grace Schwingel

SUBJECT: Accounting Examining Board Meeting, August 27, 2001 To Do List

1. The Board members asked Dusso to contact NASBA to clarify the Board's concerns regarding the criteria being used to qualify for the one year of public accounting experience or its equivalency and to have this information available for the October meeting.
2. The Board asked Sharon Hamilton, as she reviews applications, to begin collecting examples of the different types of positions that are being considered to qualify for the one-year rule.